

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: October 14, 2009
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 09-122
Establish Own Your Own Program Guidelines

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6745

ACTION SUMMARY

This action will establish the Own Your Own (OYO) Program and adopt related Financial Assistance Guidelines as a new product funded by the Neighborhood Stabilization Program (NSP) funds through a contract with the Portland Housing Bureau (PHB).

PUBLIC BENEFIT

This action supports the acquisition and rehabilitation of foreclosed and/or vacant and abandoned properties in neighborhoods that have high foreclosure rates. The OYO and the NSP program seeks to stabilize neighborhoods that have been severely impacted by a glut of foreclosures. The specific NSP Target areas are located in Portland, as well as, portions of Multnomah County as determined by Oregon Housing and Community Services (See Attachment A).

PDC will invest a portion of the NSP funds in the OYO Program to make loans to eligible borrowers to finance the acquisition and rehabilitation of owner-occupied housing. Eligible borrowers include households earning less than 120% of the Median Family Income.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

The recommended use for the NSP funds was discussed on various occasions with community partners (such as Proud Ground, Rose Community Development, PCRI, NAYA, HOST Development) with the help and support of the Oregon Opportunity Network and their members. While there is not full consensus on the final recommended uses of these funds, PDC and PHB staff have based, and significantly modified, their recommendations for the use of funds as a result of the public and partner feedback in order to best address the public and partners diverse needs and goals while still complying with the NSP and OHCS grant requirements.

Many partners were not pleased that the NSP rules do not restrict the program to first-time homebuyers, lower income households, and they did not like the five year share of appreciation clause imposed by OHCS. In order to address these concerns PDC and PHB are in discussion with OHCS to resolve these differences. OHCS has indicated they are open to setting aside a majority of the funds for first-time homebuyers and lower income clients, but not all of the funds. OHCS is also open to removing the five year share of appreciation clause as well provided we can provide an acceptable alternative. OHCS has taken the position that the program is not intended to be a low-income first-time homebuyer program and they feel the share of appreciation clause is a good way to limit property flipping and windfall profits accruing to the program beneficiaries. If OHCS grants its permission, the previously discussed changes will be added and the share of appreciation clause would be removed.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The proposed use of the NSP funds for the Own Your Own Program is consistent with the 2005-2010 Consolidated Plan and the annual Housing Evaluation Report which is adopted by City Council. The implementation of the OYO program will primarily address PDC's goals related to social equity, healthy neighborhoods, and effective stewardship of resources. It also needs to be implemented in compliance with the NSP Grant Agreement #1092 and any future amendments between OHCS and PHB.

FINANCIAL IMPACT

As a separate but related action, Subrecipient Contract No. 32000134 is being amended to increase the maximum reimbursable amount between PHB and PDC by \$3,435,884 for implementation and administration of the NSP and OYO programs.

PDC will incur expenditures as it originates loans for approved OYO borrowers to be disbursed from the HCD Contract Fund (210) and, in turn, will submit a monthly billing to seek reimbursement from PHB. PDC may not seek reimbursement for amounts in excess of the established agreement authority for each program. All costs associated with implementing the OYO program will be covered and implementation of the program consistent with PDC's Cost Recover Policy.

PDC's FY 2009-10 Revised Budget will need to be amended to fully disburse all additional contract authority. It is estimated that sufficient appropriations currently exist to begin the program until a budget amendment is acted on by the Board.

RISK ASSESSMENT

PDC has been originating secondary loan products, like the Own Your Own Program for nearly three decades and is well suited to continue performing these activities for PHB. Considering that expertise, the legal, financial and operational risks resulting from this action should be manageable over the term of this contract.

WORK LOAD IMPACT

All administrative costs associated with implementation of the OYO Program are covered by an allocation to PDC of \$186,500 of CDBG (CDBG) Funds consistent with PDC's Cost Recovery Policy.

ALTERNATIVE ACTIONS

If this program is not adopted, alternative methods acceptable to the Portland Housing Bureau would need to be developed for meeting terms of the contract.

CONCURRENCE

PHB and PDC collaborated on developing the OYO Program Guidelines. The PDC Loan Committee has reviewed and the Own Your Own Program Guidelines at its meeting on October 1, 2009, and recommends adoption.

BACKGROUND

The Neighborhood Stabilization Program (NSP) was authorized as a part of the federal Housing and Economic Recovery Act (HERA) of 2008 to provide emergency assistance for state and local governments to acquire and rehabilitate foreclosed properties in targeted areas throughout the country. The primary goals of program are to stimulate the local housing market and ensure that vacant foreclosed properties in the target areas are quickly put back in service as owner or renter occupied housing.

NSP funds are permitted to be used as financial assistance to homebuyers, to purchase and rehabilitate eligible properties, for land banking proposals, to demolish blighted structures or to redevelop demolished or vacant foreclosed properties in designated target areas. Maps of the local target areas are shown as Attachment B of this report. These areas include portions of North, North East, and South East Portland, as well as, portions of Fairview, Maywood Park, and Troutdale. OHCS identified these target areas based the income level, high cost lending rates, foreclosure rates, price declines, and vacancy rates at the census block group level. OHCS is expected to update these areas during the implementation phase of the program. PDC will then update the target areas accordingly.

PHB and Multnomah County staff agreed to budget \$1,182,415 to fund the Own Your Own (OYO) Program. The OYO Program, described in Attachment A, provides homebuyers financing in the form of a deferred payment loan to households earning 120% of MFI or less to purchase eligible foreclosed properties in the NSP target areas. Borrowers are required to occupy the properties as their primary residence. OYO Loan funds may be used for down payment, closing costs and home repairs to acquire and rehabilitate eligible properties. Prior to occupancy properties must pass a Pest and Dry Rot Inspection, Lead Risk Assessment and meet the Housing Quality Standards. The OYO loans are zero interest deferred payment mortgages with a 99 year loan term. The loan must be repaid if the borrower refinances, no longer occupies the property, or sells/transfers title to the property. Eligible first mortgage loan products are limited to fixed rate 30 year loans obtained with modest loan fees and with a market interest rate. Additional details are available in the attached OYO Program Guidelines.

The public's interest level in the OYO program is very high. PDC staff has already received over 450 phone calls and e-mails inquiring about the program as a result of an article that ran in the Oregonian in late August. The NSP funds budgeted for OYO are expected to serve 24 to 30 households and to be fully expended by June 30, 2010. PDC staff is recommending a lottery selection process over a first-come-first serve approach due to the tremendous demand for the program.

After the program is approved by the Board and City Council and all the necessary planning and preparation is complete, PDC will begin accepting applications for the OYO program. To apply interested households will need to provide: a credit approval letter for a loan with acceptable terms consistent with the NSP and OYO Program Guidelines; proof of income; proof of a 1% down payment; and a complete application form. All applicants who meet an application submission deadline will then be entered into the lottery to determine the order they will be offered the funding and to establish a wait list. If approved by OHCS, the drawing will give a first preference to low-income (80% of the Median Family Income or below) first time homebuyers, and then to higher income first-time homebuyers (80 to 120% of the MFI), and finally all others will be drawn. After the drawing the selected households will have 45 days to enter into a sale agreement, 60 more days to close the loan and 90 more days to complete any necessary repairs on the home and occupy the home. PDC expects to fully expend all the NSP funds budgeted for the OYO program by June 30, 2010.

As noted in the Public Participation and Feedback Section of this report, PDC and PHB are currently negotiating with OHCS regarding removal of the share of appreciation clause, as well as, the insertion of a preference or a set aside for low income first time homebuyers. If OHCS grants these approvals the OYO Program Guidelines will be updated accordingly.

ATTACHMENTS:

- A. NSP Target Area Maps

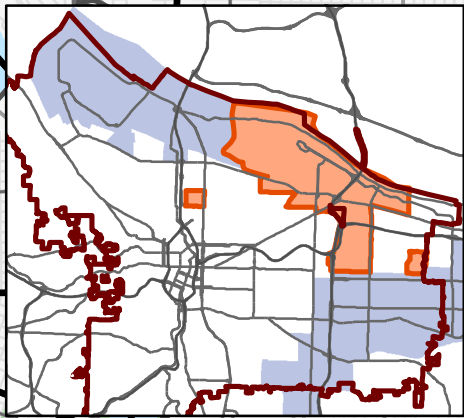
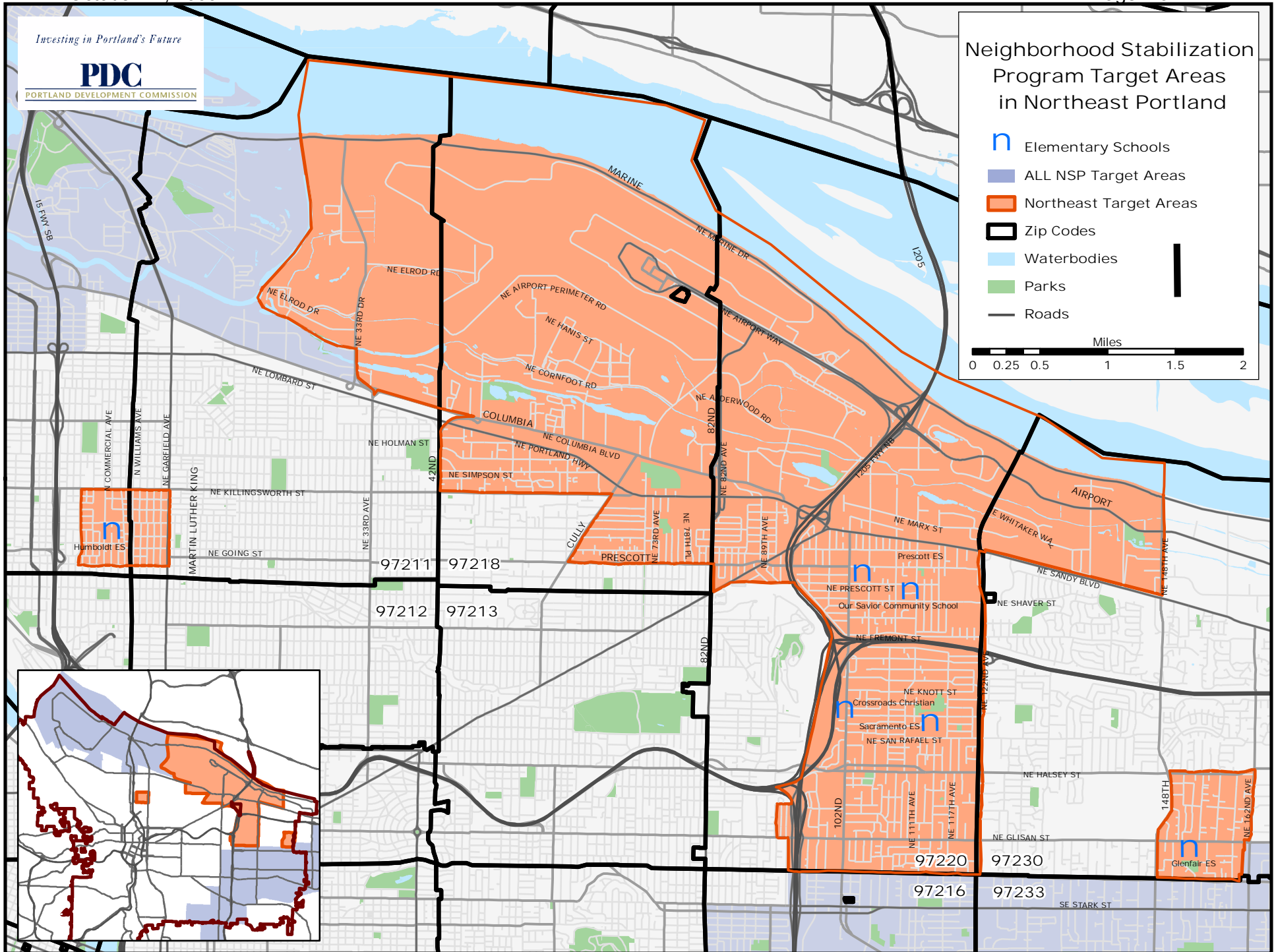
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Neighborhood Stabilization Program Target Areas in Northeast Portland

- Elementary Schools
- ALL NSP Target Areas
- Northeast Target Areas
- Zip Codes
- Waterbodies
- Parks
- Roads










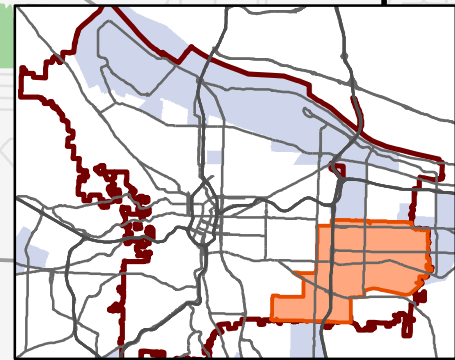
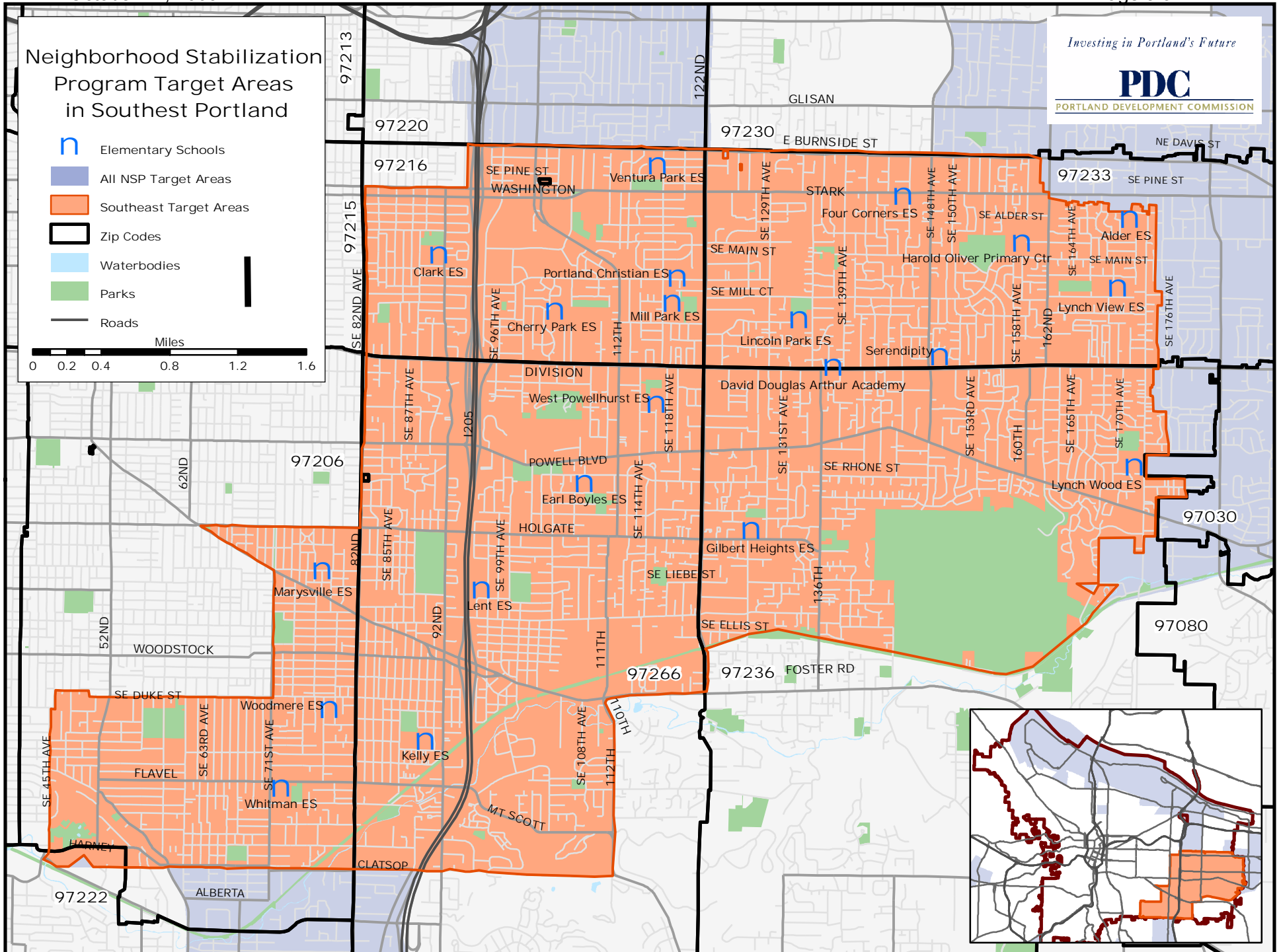
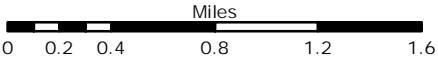
Neighborhood Stabilization Program Target Areas in Southeast Portland

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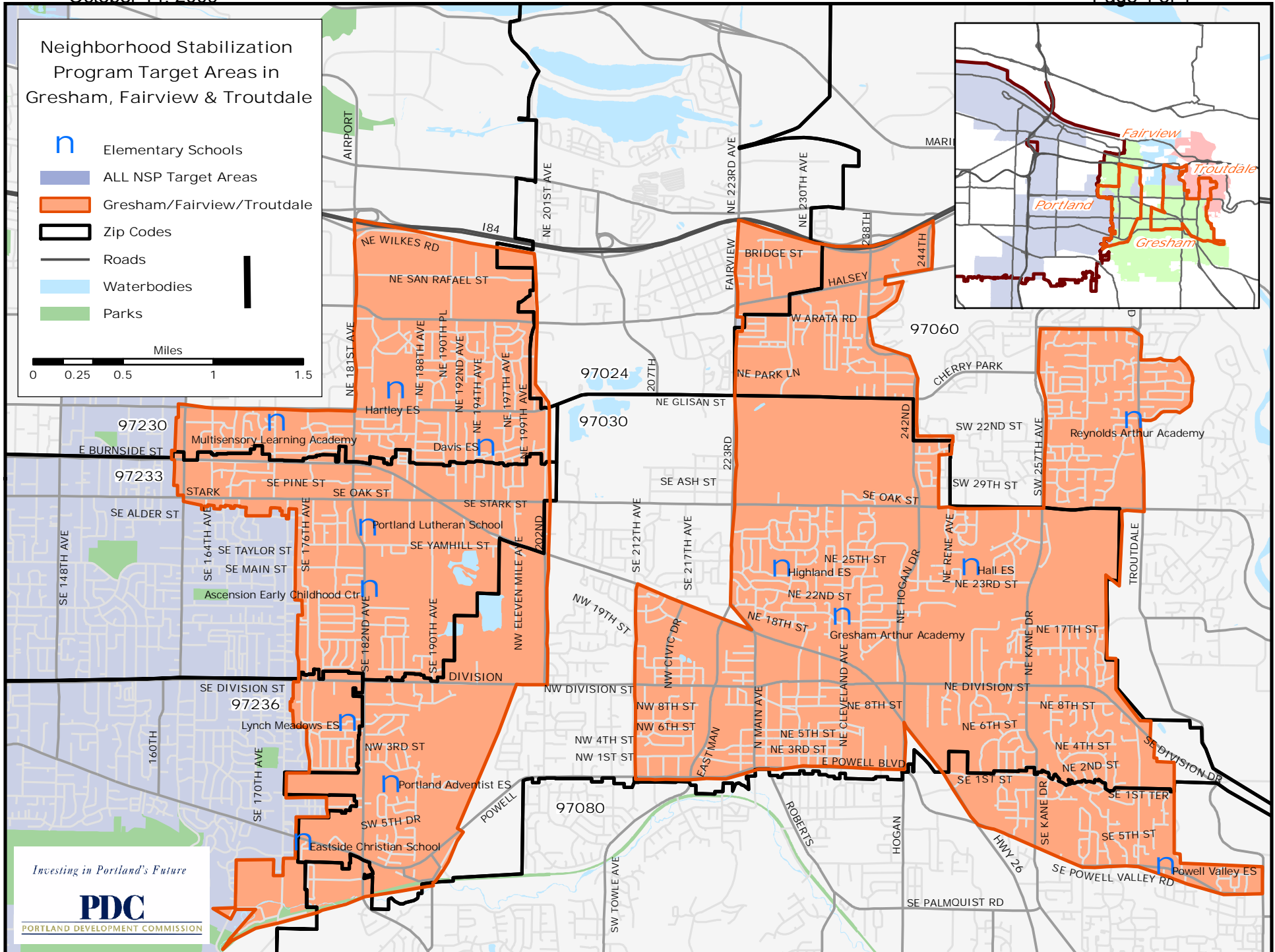
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-  Elementary Schools
-  All NSP Target Areas
-  Southeast Target Areas
-  Zip Codes
-  Waterbodies
-  Parks
-  Roads



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